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SOUTHEAST ASIAN AFFAIRS 1996

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FOREWORD

We are pleased to present the twenty-third issue of *Southeast Asian Affairs*, an annual of comprehensive regional coverage on the political, economic, and social trends and developments in Southeast Asia.

Designed to be easily readable yet in-depth, informative and analytical, the annual has come to be a useful tool for all serious students, academics, diplomats, senior executives, journalists, and publicists who seek to understand the dynamics of Southeast Asian developments.

The year 1995 saw further substantial economic gains in Southeast Asia. Growth rates were high in virtually all countries of the region. The most significant development of the year was the expansion of ASEAN to include Vietnam and moves to incorporate the remaining countries of Southeast Asia into the organization within the next few years. The domestic political systems of the countries in the region were relatively stable and chances of inter-state conflict in Southeast Asia remained minimal. However, the tensions in the Taiwan Strait and the deterioration in U.S.–China relations constituted a dark cloud in an otherwise rosy environment. *Southeast Asian Affairs 1996* looks at some of these developments and trends.

Finally, I take this opportunity to thank all the authors who have contributed much to make this publication possible. While the Institute encourages the statement of all points of view in the publication, the authors alone are responsible for the facts and opinions expressed in their articles. Their contributions and interpretations do not necessarily reflect the views of the Institute or its supporters.

Chan Heng Chee
Director
Institute of Southeast Asian Studies

April 1996

CONTENTS

FOREWORD	v
INTRODUCTION	ix
THE REGION	
Southeast Asia: Trends, Developments and Challenges <i>Leszek Buszynski</i>	3
Recent Economic Developments in Southeast Asia <i>Malcolm Dowling and Charissa N. Castillo</i>	21
Japan's Search for a Political Role in Southeast Asia <i>Lam Peng Er</i>	40
The Republican Congress: Asia's Gain or Pain? <i>Susumu Awanohara</i>	
Financing Old Age in Southeast Asia: An Overview <i>Mukul G. Asher</i>	72
BRUNEI	
Brunei in 1995: A New Assertiveness? <i>Naimah Talib</i>	101
CAMBODIA	
Cambodia: A Year of Consolidation <i>Harish Mehta</i>	113
Cambodia's Post-Cold War Dilemma: Democratization, Armed Conflict, and Authoritarianism <i>Sorpong Peou</i>	130
INDONESIA	
Indonesia at 50: Islam, Nationalism (and Democracy?) <i>Douglas E. Ramage</i>	147
Indonesia: Setting the Stage for Soeharto's Re-election <i>Leonard C. Sebastian and Reza Y. Siregar</i>	166

LAOS

- Laos: Back to a Land of Three Kingdoms?**
Mark Nguyen 197

MALAYSIA

- Malaysia: Mahathir's Last Hurrah?**
Liak Teng Kiat 217

- New Malays, New Malaysians:
Nationalism, Society and History**
T.N. Harper 238

MYANMAR

- Myanmar: Several Endings, No Clear Beginnings**
James F. Guyot 259

PHILIPPINES

- The Philippines in 1995: Completing the Market Transition**
Alexander R. Magno 285

- The Philippines Labour Diaspora:
Trends, Issues and Policies**
Joaquin L. Gonzalez III and Ronald Holmes 300

SINGAPORE

- The Internationalization of Singapore Politics**
Asad Latif 321

- Consumption and Social Aspirations of the Middle Class
in Singapore**
Yao Souchou 337

THAILAND

- Thailand in 1995: The More Things Change,
The More They Remain the Same**
Suchit Bunbongkarn 357

- The Thai Economy in the Mid-1990s**
Pasuk Phongpaichit 369

VIETNAM

- Vietnam: Better Managing Reform**
Nick J. Freeman 385

INTRODUCTION

The two most significant developments in 1995 in terms of their implications for Southeast Asia were the deterioration of U.S.–China relations and the expansion of ASEAN. The first clouded the hitherto rosy prospects for East Asia while the latter highlighted the very rapid changes in regional relations since the end of the Cold War.

U.S.–China relations, difficult even before over issues like human rights, trade, intellectual property rights, exports of missile and nuclear technology, plummeted after the U.S. government granted President Lee Teng-hui of Taiwan a visa to make an unofficial visit to the United States. As China conducted missile firing tests and other military exercises to exert pressure on Taiwan, there were concerns that military conflict, which could also involve the United States, could erupt through accident or miscalculation. Such a development could constitute a significant setback to the economic dynamism of the East Asian region.

ASEAN expanded to include Vietnam into its fold and steps were being taken to bring into the regional organization the remaining three countries of Southeast Asia — Cambodia, Laos and Myanmar — within the next few years. Vietnam had been an observer at ASEAN meetings since 1992 when it had also signed ASEAN's Treaty of Amity and Co-operation (TAC). In 1995 Cambodia also signed the TAC and became an observer, while Myanmar became an observer even though it has not signed the TAC. Laos has been both an observer and a TAC signatory since 1992, but so far constrained from full membership by a shortage of English language speakers.

At the same time, ASEAN was pushing ahead with its Free Trade Area whose original target to reduce tariffs on manufactured goods to 0–5 per cent by the year 2008 has since been brought forward to 2003. The Fifth ASEAN Summit held in Bangkok in December 1995 saw the signing of a framework agreement on financial services, but an agriculture tariff reduction programme was marked by contention as Indonesia placed fifteen products on the temporary exclusion list.

Meanwhile, the economies of the Southeast Asian countries continued to forge ahead and economic interdependence continued to grow both within Southeast Asia and in the broader East Asian and Asia-Pacific regions. The real gross domestic product (GDP) growth rate of Southeast Asia as a whole was around 7.9 per cent in 1995, the same as in 1994. Growth was slightly lower in Laos and Singapore while it accelerated in Malaysia, Myanmar, the Philippines and Vietnam.

The domestic situations in most of the Southeast Asian countries remained

relatively stable. Among the ASEAN-Six, Malaysia's ruling coalition received a resounding vote of confidence in a general election the results of which also indicated improving race relations; in the Philippines, deregulation of the economy continued and President Ramos seemed well in charge; Singapore remained predictably stable; and Thailand had a general election and a change in government but this hardly disturbed the business of government or business. Only in Indonesia was there uncertainty about how the transition in leadership will take place when it does, and some unease about stability even though President Soeharto still seemed well in control. As for the CLMV (Cambodia, Laos, Myanmar, Vietnam) countries, the government in Cambodia was consolidating its position, although becoming more authoritarian in the process, while the Khmer Rouge continued to weaken; in Laos and Vietnam, the situation was little different from the previous year, with no immediate threat to political stability. In Myanmar, the State Law and Order Restoration Council government was still wrestling with the issue of political legitimacy, having yet to find a way out of the impasse arising from the unfulfilled results of the 1990 general election, but it continued to have the country well in its grip.

As in the past, this volume has two parts. The first deals with regionwide issues. It comprises an overview of politics and international relations of Southeast Asia, a survey of the regional economies, an analysis of Japan's posture and policies towards Southeast Asia, an examination of the implications for Asia of the new Republican Congress in the United States, and an analysis of the problems associated with the financing of old age in Southeast Asia. The second part of the volume is devoted to the ten annual country reviews. It also has six special theme articles.

Daljit Singh
Liak Teng Kiat
Editors

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